

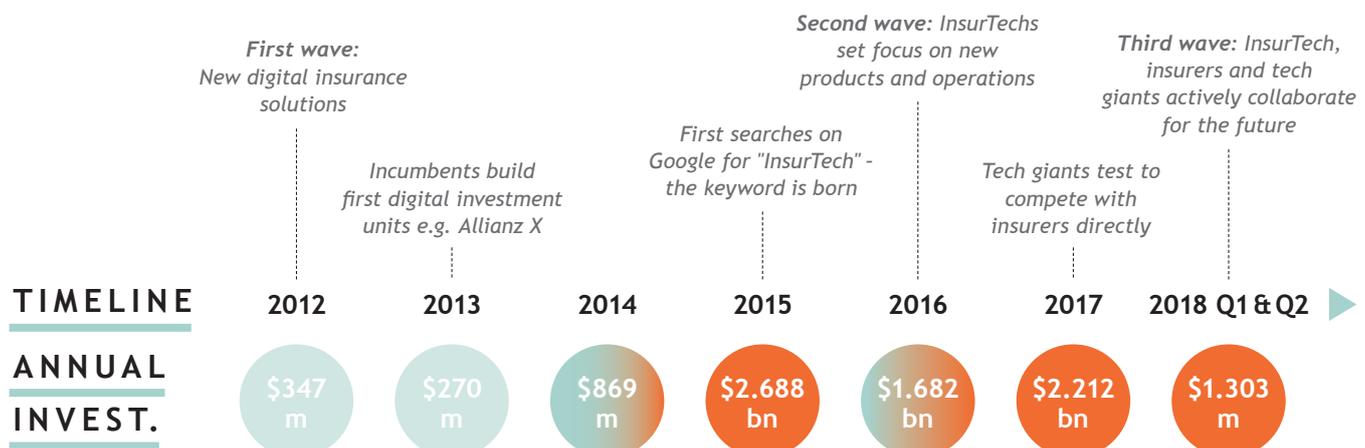
InsurTech 2.0: Deconstructing the Buzzword

SPOTLIGHT

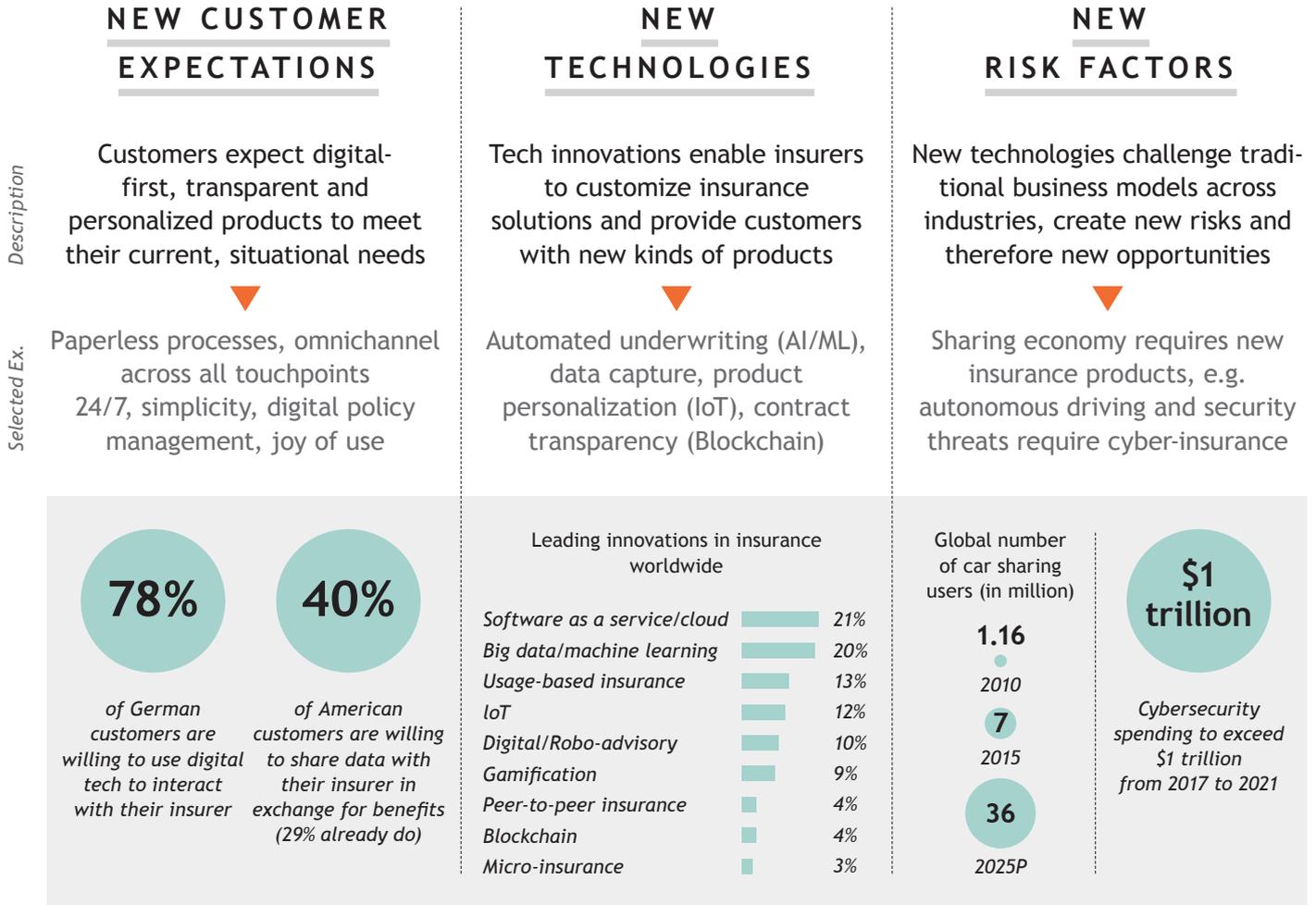
- The first wave of InsurTechs started in 2012 with high expectations which were not fulfilled regarding market share. But they had a significant impact on the willingness of the incumbents to change
- Early InsurTechs focused on sales and the digitization of existing business models. The second wave aims at new products, operations and selected items of the value chain
- Innovations such as machine learning, big data, IoT and blockchain are in focus, but there are currently no business models. The future strategies of tech giants like Amazon are presently unclear
- Traditional insurers are increasingly integrating investment units and innovation laboratories. However, they are still having a hard time anchoring the mindset of start-ups in their organization
- Investments and M&A activities are expanding. The number of deals and total funding are expected to grow in 2018. Instead of disruption, strategic partnerships are the new leitmotif
- Interviews with insurers and investors show that digitization of the industry is still a long way from being mature, consistent and customer-focused. In other words, the game has just begun

WHAT IS INSURTECH?

InsurTech refers to (companies') use of technology and innovation to fundamentally change the current insurance industry model throughout the entire value chain, including creating new products, distributing policies, enhancing processes, utilizing data and managing claims

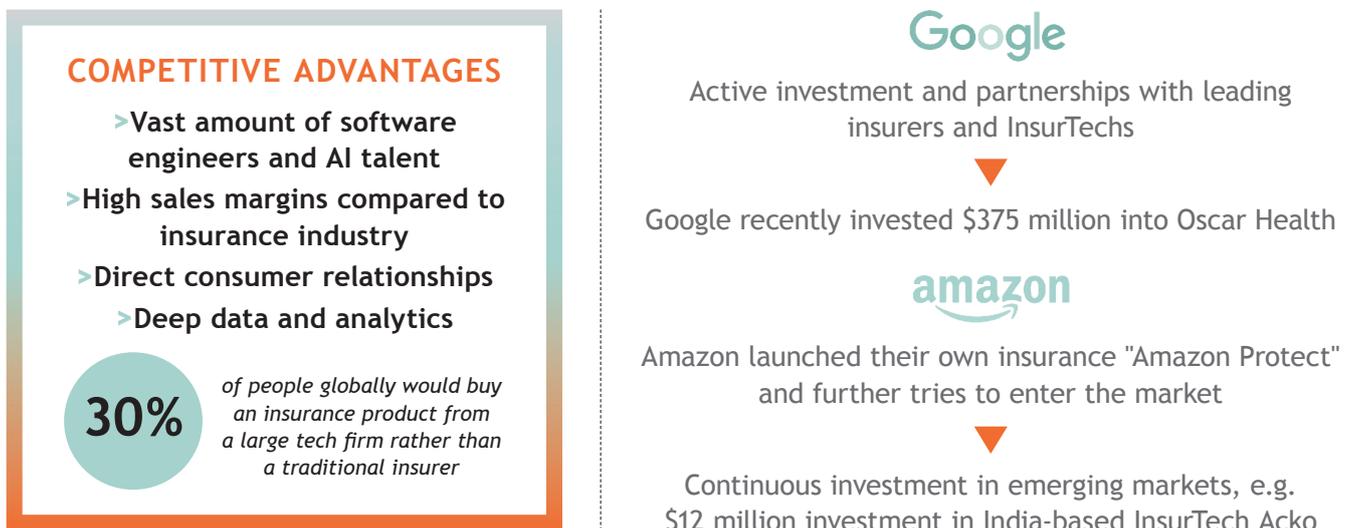


Factors transforming the insurance ecosystem



Tech giants set their ambitions on the insurance market

Tech giants are entering the insurance ecosystem and have the prerequisites to do so: broad data and deep understanding of their customers unlike others in the market. Barriers are the comparatively low margins



What can InsurTechs offer incumbents?

Enhanced connectivity and user experience

- > Reduce costs, increase customer experience with AI
- > Add efficacy of automated processes with ML
- > Reduce claims cycle and increase responsiveness

Consumer responsive product development

- > Develop tailored products easily
- > Better understand new or underserved markets and target emerging risks based on data-analytics

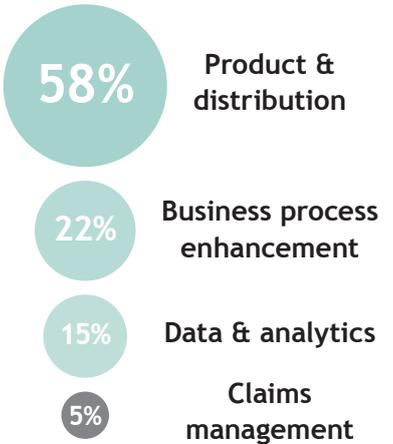
Data-driven decision making & insights

- > Gain access to data incorporated into underwriting, pricing and claim management processes
- > Capture and organize data for decision making

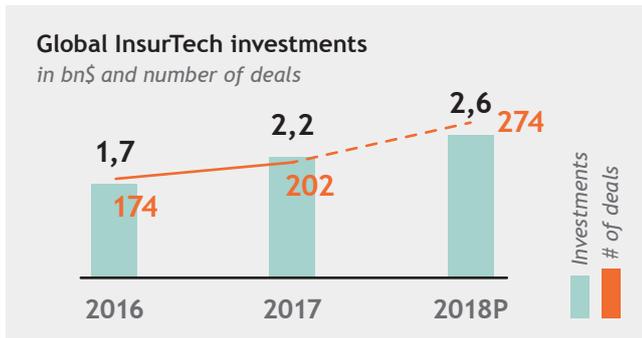
Disconnected experimentation & innovation

- > Take more risks in adapting and developing business models and products
- > Identify new areas of value within the value chain

Current InsurTechs offer various solutions along the value chain and business lines



INVESTMENTS IN INSURTECH GROWING STEADILY



Investments and M&A activities are expanding - # of deals and investments are expected to grow

Noteworthy InsurTech deals in 2018 (highest investment)

OSCAR Health Insurance

540 m\$ in Series E and Series D funding - app enables management of policies and doctor appointment planning

Collective Health Employer Health Platform

110 m\$ in Series D funding - integrates health plan, engagement hub, concierge support & analytics

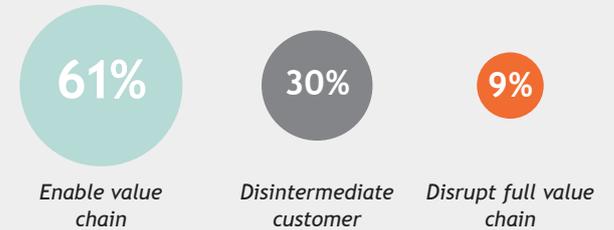
NEXT INSURANCE Small Business Insurance

83 m\$ in Series B funding - digital insurance product for small business owners, tailored to their needs

INSURTECHS BUSINESS MODELS FOCUS ON COLLABORATION

Preferred role in insurance business

n=500 cases, 2017



Use of accelerator, incubator, innovation labs and funding to cooperate with InsurTechs

Selected initiatives of insurance companies

WERK Accelerator

10 insurance companies (e.g. Munich Re, Generali, Allianz) fund 50 k€ per start-up

kamet Incubator

InsurTech start-up incubator funded by AXA with an initial investment of 100 m€ (2015)

wefox ERGO Innovation Lab

ERGO and sparing partner wefox implement innovations in products and processes

Collaboration, not disruption, drives industry development

Industry experts underline the necessity of collaboration between incumbents and InsurTechs. Existing barriers for InsurTechs are regulation, capital reserve and trust. For incumbents, the barriers are technology innovation, low-cost structures and non-legacy infrastructures. All of these can be scaled down through collaboration that brings together the best of both worlds

SELECTED INDUSTRY OPINIONS



The joy of use

"Above all, the digital community in insurance tends to focus on functional improvements. What really counts are the positive impacts of digitalization on customer experience, rather than the technical efforts. Every day we must learn anew how to re-imagine our customers' experiences with digital. We always have to ask ourselves: How does it feel? Does digital innovation contribute to credibility, trust, competence and convey a joy of use?"

Klaus Driever, Head of Strategic Digital Initiatives, Allianz Deutschland



Who will eat the whale?

"It would be a mistake to think that the incumbents repulsed the InsurTechs' attack. The sharks that everyone expected did not come, but the next attack wave could be piranhas. The classic insurers are still whales, the game has just begun."

Mehrdad Piroozram, Founder InsurTech.VC



War for talent

"The big players have understood the methods of start-ups and are trying to integrate them. Huge obstacle are the obsolete legacy systems and the massive effort that migrations require. There are just too few talents available today to completely modernize the incumbents."

Marc Eichborn, Chief Digital Officer, Bitmark

INSURERS' OPPORTUNITIES

- > High potential of artificial intelligence, analytics and robotic processes to reduce costs and optimize products, services and operational tasks for insurers
- > Many InsurTechs are designed to support insurers in distribution and operations, therefore strategic cooperation or partnership with InsurTechs can be a valuable opportunity
- > Customers are becoming digitally savvy, which allows for placing digital services, improved communication and increased contact frequency
- > Insurers are able to collect more and better data and have the ability to offer new tailor-made products and lower risks

INSURERS' CHALLENGES

- > High speed, low-interest phase and price pressure force insurers to adapt business models
- > Insurers' structures, processes and size make it difficult to speed up digitization
- > Customers have increasing expectations regarding digital products and services and are getting used to a high level of price transparency
- > IT systems need to be modernized and brought up to date in order to use new technologies
- > Additional market entrants by companies like Google, Amazon and/or automotive companies
- > Increasingly complex and fragmented insurance market

GLOSSARY: THE BASIC PRINCIPLES OF INSURTECH

Blockchain: Decentralized database stores all kinds of transactions and uses smart contracts that enable several parties to cooperate with each other without having extra intermediaries

Internet of Things: Network and connection of physical devices, vehicles, home appliances and other items that communicate with each other by sharing data

Investment stages: Describes the level of funding companies receive by investors

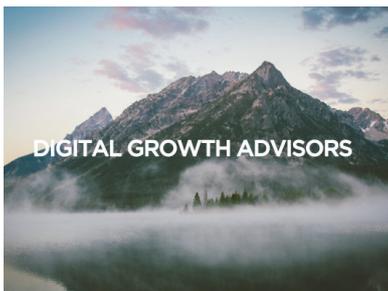
Machine Learning: Gives a computer the ability to learn with data, without needing to be programmed by individuals

Sharing Economy: Peer-to-peer sharing of products like cars, houses and services

Smart Data: Consolidation of data that is formatted before being sent to an analytics platform

Underwriting: Helps insurers spread the risks of too many policyholders asserting claims at the same time to external investors

The Nunatak Group & insurance



Managing Partners: Robert Jacobi and Rupert Schäfer



50 projects in finance & insurance industry



Establishment of digital units



Setup of corporate VC units



Deal screening



Go-to-market strategy for new products



Digital marketing automation strategy



Change management and coaching



Nunatak Net Promoter Score (NPS) of 75

The Nunatak Group is a management consulting company with a focus on digital strategy. We support transformation processes in sectors ranging from media, financial services and consumer goods to conventional industry. Our core competencies include digital marketing and advertising, company building and M&A in the digital sector, as well as data analysis and strategy. At the Nunatak Academy, we develop digital coaching formats for top management.

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